ÖSTERREICHISCHE FMA · FINANZMARKTAUFSICHT

INTEGRATED BANKING DISTRIBUTION REPORT 2024

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1 INTRODUCTION

Developed financial markets offer consumers a broad range of products covering different financial requirements: from classical banking products like savings and current accounts, across investment and insurance products, through to personal pension products. Since the Global Financial Crisis of 2008, there have been increasingly harmonised conduct rules for different types of consumer products, to achieve as **uniform a level of protection** for customers as possible, following the recent introduction of the Insurance Distribution Directive (IDD), the Regulation on Packaged Retail and Insurance-based Investment Products (PRIIPs) and conduct requirements in the Austrian Banking Act (BWG; Bankwesengesetz). These arrangements are based strongly on the conduct requirements for the distribution of securities in the European Markets in Financial Instruments Directive (MiFID II) that are considered as a conduct supervision "gold standard".

Banks traditionally assume a very **important role as a delivery channel for financial products** to consumers due to the strong interconnectedness of the Austrian financial market. Their customers consider them to be integrated providers of different products. However, harmonised regulations alone are insufficient to ensure a consistent level of customer protection across all categories. They must also be accompanied by a harmonised supervisory approach for all categories offered via banks as a distribution channel. Ultimately, the product or service concluded through the bank should not make any difference. The decisive factors for consumers are whether products or services are appropriate for their financial needs and whether they are informed in a transparent manner and given fair advice.

As an integrated financial market supervisory authority, the FMA handles both prudential and conduct supervision. As part of its commitment to collective consumer protection, the FMA focuses in particular on conduct supervision, especially at the point of sale. The FMA's approach to conduct supervision known as "**Integrated Conduct Supervision of Banks**" is characterised by its commitment to a harmonised level of supervisory measures in conjunction with the sales of services and banking, insurance and securities-based products by banks.

Integrated Conduct Supervision of Banks' overarching objective is to guarantee bank customers the same level of protection, irrespective of the service or product type (banking, insurance, or investment services or products). Its objective is greatest possible level of **supervisory convergence** and enforcement of different sectoral conduct regulations that occur alongside one another within a bank. Since 2018, in acknowledging the significance of Austrian banks in conduct terms and in providing financial services, the FMA's conduct supervision of banks has been in accordance with the risk-based and integrated approach to supervision - under the one-stop-shop principle. Such duties and competences are therefore bundled in Division IV/3 (Integrated Conduct Supervision of Banks) in the Integrated Supervision department. It enjoys a particularly close cooperation with prudential banking supervision which is intended to be further intensified.

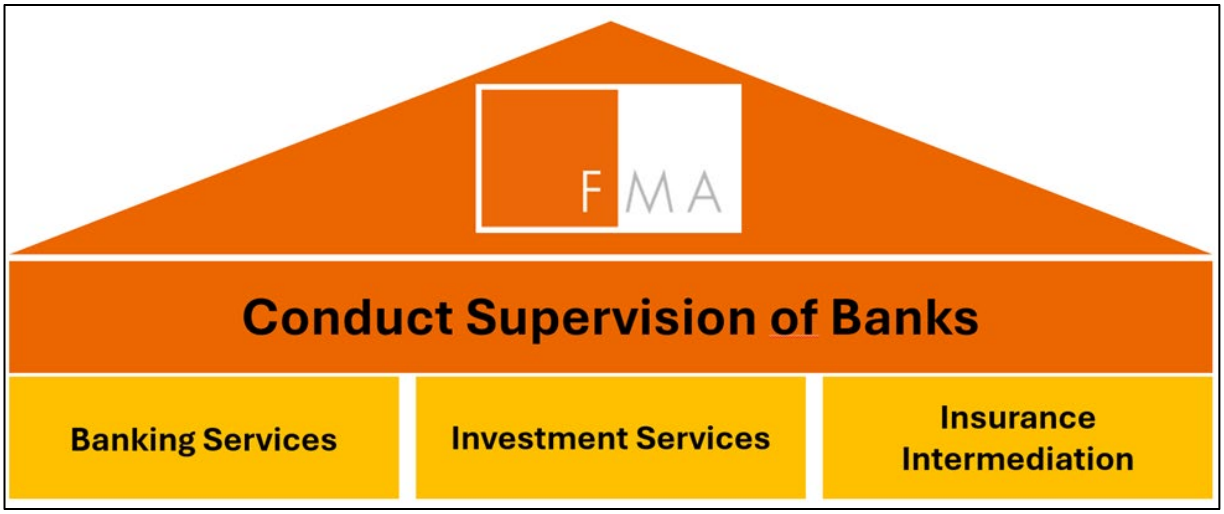

Figure 1

The "Integrated Banking Distribution Report" has been prepared to illustrate Austrian banks' distribution activities. This report provides an overview about Austrian credit institutions' distribution activities in Austria during the 2023 financial year based on the respective material legal bases. The data and key figures show the significance of credit institutions in the distribution of lending, insurance and investment products, in particular to consumers or retail investors in Austria.

The data used were collected with the utmost care. Nevertheless, the occurrence of errors, omissions and incomplete data cannot be excluded. The 2024 edition of the Integrated Banking Distribution Report (reporting date for data: 31.12.2023) is published for a fourth consecutive financial year, while the English version appears for the third time.

2 MATERIAL FINDINGS

2.1 INCREASING RELEVANCE OF SUSTAINABILITY IN SECURITIES BUSINESS

Sustainability has become a central aspect of the financial sector as a result of the "European Green Deal" and the European Commission's Action Plan on "Sustainable Finance" and plays an important role for banks' securities business. Data was first collected in 2023 from the market about sustainability, and is presented in the Integrated Banking Distribution Report for the first time in 2024. The FMA supervises the observance of conduct rules regarding sustainability in distribution under its multi-year priority for supervision and inspections of "avoiding greenwashing in distribution" as well as through its participation in the European Securities and Markets Authority's (ESMA) Common Supervisory Action (CSA) 2024/2025 on suitability when distributing sustainable financial instruments.

In addition to conduct regulation, the Sustainable Finance Disclosure Regulation (EU) 2019/2088 ("SFDR") also forms a central element of the European legal framework. Out of 384 credit institutions actively providing securities services in Austria, 380 credit institutions offer asset management as a service, and are therefore to be classified accordingly as financial market participants under the SFDR. If credit institutions offering investment advice are considered, then 375 out of the 384 credit institutions active in the Austrian market are considered as financial advisers as per the SFDR definition.

If the number of sustainable products is compared with a credit institution's full product catalogue, then the analysis of the information from all banks reveals that around 48% of the products in the advisory universe are financial instruments that at least partially correspond to one of the sustainability criteria listed in Article 2(7) lits. a-c (SFDR/Taxonomy/PAI). It should be noted, however, that the entities conducted this classification themselves, and that it is unable to be reviewed objectively. Furthermore, the data quality about the sustainability characteristics of financial instruments is not yet sufficiently robust to conduct a reliable evaluation, meaning that figures must be considered as rough initial estimates. Based on this definition, around EUR 60 bn is held in retail clients' securities accounts under WAG 2018.

According to analysis of credit institutions' information, around 26.5% of WAG 2018 retail clients who have already been asked about their sustainability preferences wish sustainability aspects to be taken in account in their portfolio.

2.2 SLIGHT INCREASE IN THE NUMBER OF SECURITIES ACCOUNTS HELD BY RETAIL CUSTOMERS. SLIGHT DECREASE IN INDIVIDUAL PORTFOLIO MANAGEMENT

2023 saw an increase in the number of securities accounts. A total of 2.42 million securities accounts were held at Austrian banks in 2023, a year-on-year increase of 3.4%. Approx. 98% (2.38 mn) were securities accounts held by retail clients under Securities Supervision Act 2018 (WAG 2018). The remaining 44,507 securities accounts (ca. 2%) were held by professional clients and eligible counterparties. In 2023, credit institutions managed a total of 43,572 securities accounts with a total volume of EUR 16.41 bn within the scope of individual portfolio management, which was less than in 2022 (45,339 securities accounts with a total volume of EUR 17.37 bn).

The top five institutions ranked by number of retail client securities accounts manage 931,051 securities accounts in total, or almost 39% of all retail clients' securities accounts. The top 5 credit institutions are predominantly ones with a strong online distribution model.

2.3 NET COMMISSION INCOME FROM SECURITIES FALLS SLIGHTLY IN 2023 – BUT NEVERTHELESS REMAIN SUBSTANTIALLY ABOVE THE 2018 LEVEL

With MiFID Ii's entry into force at the start of 2018, the banking industry feared that investment business might decline strongly due to the new (strict) framework conditions. However, when examining credit institutions' net commission between 2019 and 2022, commission earned during the 2023 financial year remains higher than in 2018, even though the amount fell for the second consecutive year in 2023.

As analysis of MiFIR transaction data also shows, lower investor activity compared to the pandemic years 2020 and 2021 could be a potential reason for the decreases observed in the last two years. Austrian funds' aggregated net cash flows were also negative in 2023 after two strong years (2020 & 2021) especially in the case of real estate funds as well as mixed funds. In addition to geopolitical factors, this development is primarily attributable to the reversal of interest rates and the underlying economic conditions over the past two years. Higher inflation and the associated economic uncertainties might potentially have led to a reduction in the investment area.

2.4 EXISTING VOLUME OF LENDING FOR PURCHASING AND RENOVATING RESIDENTIAL SPACE REMAINS CONSTANT - IT DISTRIBUTION IS INCREASING

Mortgage-backed and real estate loans are an important business line for Austrian banks. Well over half of Austrian credit institutions offer (distribute) and intermediate mortgage-backed and/or real estate loans. 22% of credit institutions in Austria grant mortgage-backed and/or real estate loans but do not intermediate them. Mortgage-backed or real estate loans form no part of around 13% of credit institutions' business models. From looking at the development of the existing volume of mortgage-backed and property loan contracts, the outstanding volume has remained constant despite a slight fall from 2022 to 2023. In this regard, it must be highlighted in particular that the existing volume has remained constant or grown in the case of building societies (Bausparkassen) compared to previous years (2021: 17 bn, 2022: 19 bn, 2023: 19 bn).

Regarding the volume of newly distributed mortgage-backed and real estate loans newly distributed volume once again rose in 2023, having fallen strongly in 2022 due to the general interest rate developments. Just as the development of interest rates was the main reason for the fall in demand from 2022 to 2023, 2023's increase is attributable to the stagnating interest rate development. Initial OeNB data for 2024 point to a recovery.

3 AUSTRIA'S BANKING LANDSCAPE

Overview for the 2023 Financial Year

444

Licensed Credit Institutions[1]

3,186

Branches[2]

21.54 mn

Customers serviced by Austrian credit institutions[3]

110,998

Complaints to credit institutions[4]

406

Credit institutions offering securities distribution[5]

2.42 mn

Retail customer securities accounts[6]

394

Credit institutions offering insurance distribution[7]

1.67 bn

Premium volume of insurance products distributed through banks[8]

37%

of retail customers are advised by banks with a high conduct risk[9]

995.92 bn

Aggregated total assets of conduct-relevant banks[10]

[1] Source: FMA Annual Report 2023, credit institutions including branch establishments.

[2] Source: OeNB directory of bank branches (Bankstellenverzeichnis) excluding headquarters.

[3] Source: Division IV/3 risk classification tool 2023 FY.

[4] Source: VERA-V.

[5] Source: Division IV/3 risk classification tool 2023 FY.

[6] Source: Division IV/3 risk classification tool 2023 FY.

[7] Source: Division IV/3 risk classification tool 2023 FY.

[8] Source: Division IV/3 risk classification tool 2023 FY.

[9] Source: Division IV/3 risk classification tool 2023 FY, company scoring by risk profile 1 (low), 2 (medium), 3 (increased), and 4 (high).

[10] Source: FMA Annual Report 2023

3.1 OVERVIEW ABOUT CONDUCT-RELEVANT BANKS

Of the 444 licensed banks in Austria, as of 31.12.2023, the FMA classified 440 as being "conduct-relevant" banks. This figure covers credit institutions with business models considered relevant for integrated conduct-based banking supervision, and which therefore are subject to the annual Conduct Risk Classification Survey. Investment fund management companies, real estate investment fund management companies, and corporate provision funds are excluded.

The sectoral breakdown of credit institutions active in Austria in figure 2 is based on the same sectors regularly used in supervision. This breakdown is based on several relevant factors. It is important to differentiate between banks that have single-level or multi-level sectoral structures. Apart from the sectoral structure, the legal form and above all which Austrian trade association they belong to are also important for this classification. In addition, the scope of licence, the specific business model or membership of a deposit guarantee scheme also play a role. Branches of foreign banks active in Austria under Article 9 BWG form a separate sector. Using this logic, banks with a business model that does not fit into the other categories (e.g. Oesterreichische Kontrollbank (OeKB) or housing finance banks) are subsumed under "special-purpose banks".

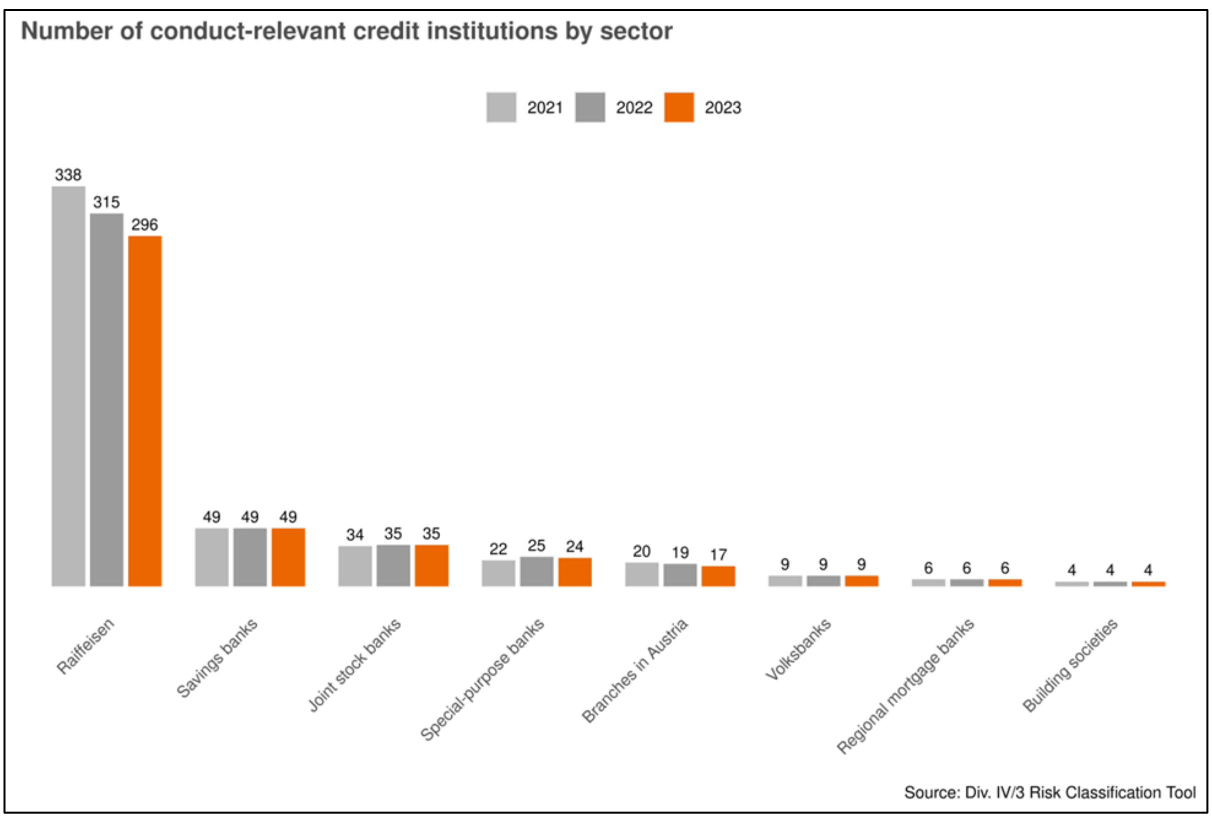

Figure 2

3.2 DISTRIBUTION ACTIVITIES OF CONDUCT-RELEVANT BANKS

The 440 conduct-relevant credit institutions' sales activities show that 87% of them distribute mortgage-based loans, 91% consumer loans, 85% insurance, and 87% investment services.

The following figure shows the respective activities by sector, compared year-on-year, of the four product areas analysed in this report (mortgage-based loans under the Mortgage and Immovable Property Credit Act (HIKrG), consumer loans under the Consumer Credit Act (VKrG), insurance, or the provision of investment services).

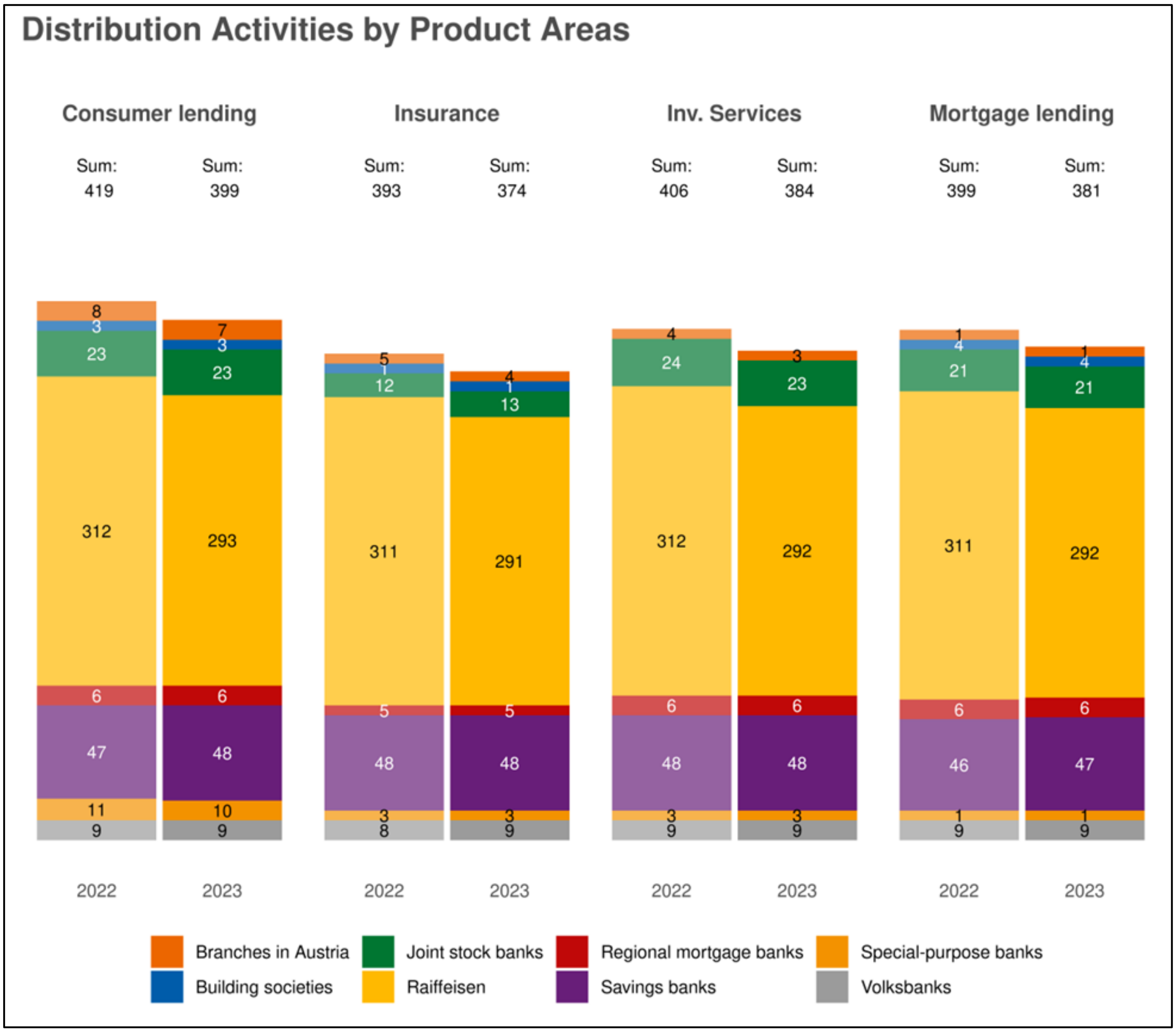

Figure 3

It is apparent that **almost all Raiffeisen banks, savings banks (Sparkassen), Volksbanks and regional mortgage banks (Landeshypothekenbanken) are active in all four business areas** with over 95% per product area on average.

Joint stock banks have **differentiated** business models: while approximately two-thirds distribute consumer loans and offer investment services, only ca. 37% distribute insurance and 60% offer mortgage-backed and real estate loans.

Of the branches of foreign banks in Austria, around 41% offer consumer loans. Only 18% and 24% respectively offer investment services and insurance. Only one branch (6%) distributes mortgage-backed loans.

Table 1

Sector	Mortgage-backed loans	Consumer loans	Insurance	IS
Joint stock banks	60 %	66 %	37 %	66 %
Building societies (Bausparkassen)	100 %	75 %	25 %	0 %
Regional mortgage banks	100 %	100 %	83 %	100 %
Raiffeisen	99 %	99 %	98 %	99 %
Special purpose banks	4 %	42 %	12 %	12 %
Savings banks (Sparkassen);	96 %	98 %	98 %	98 %
Volksbanks	100 %	100 %	100 %	100 %
Branches in Austria	6 %	41 %	24 %	18 %

3.3 NUMBER OF CUSTOMERS

In 2023, Austrian credit institutions had approx. 20.34 mn retail customers[1] (2022: 20.68 mn). In this context, retail customers covers investment, financing or the entity's other customer relationships, and include both retail and wholesale customers.

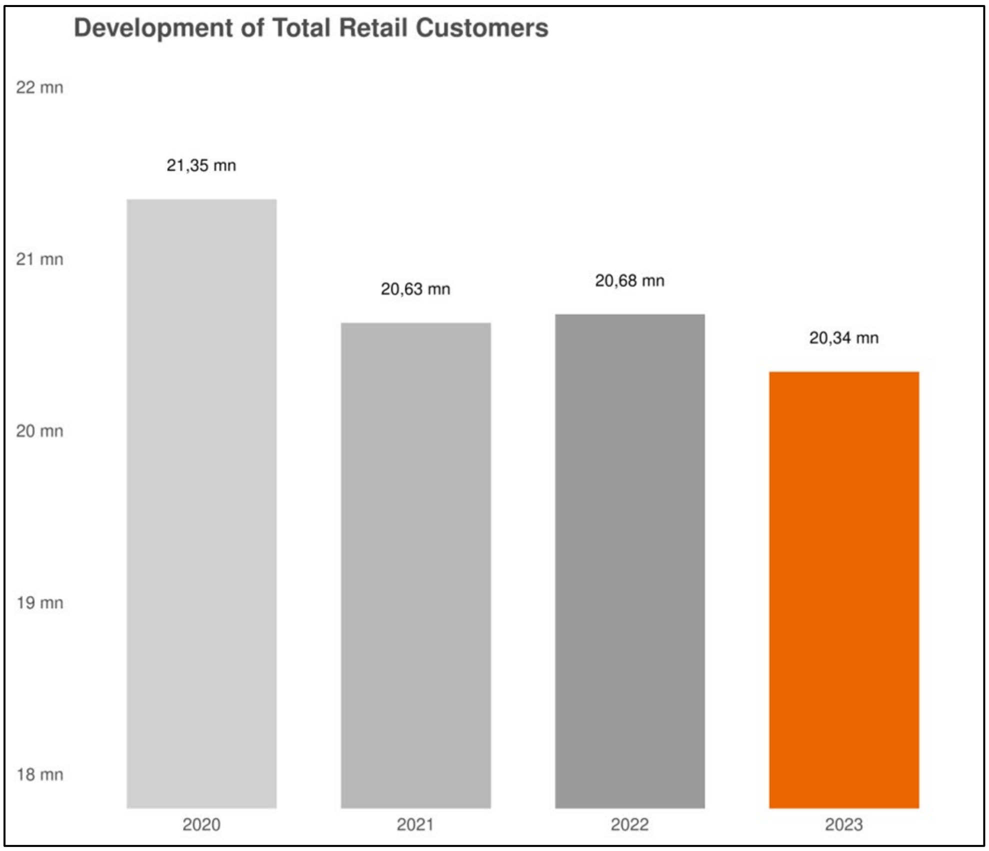

Figure 4

The majority of customers, 17.03 mn in total (2022: 17.25 mn), are split between the joint stock banks, Raiffeisen sector, building societies sector (Bausparkassen) and the savings bank sector (Sparkassen). Compared to the previous year, in 2023 - following a slight increase in 2022 – a slight decrease in retail customers was observed, which can primarily be traced back to the following three sectors: building societies (Bausparkassen) (-208 thousand retail customers), special-purpose banks (-172 thousand retail customers) as well as joint stock banks (-144 thousand retail customers).

[1] Natural persons. Source: Division IV/3 risk classification tool. A single natural customer may hold bank accounts at several credit institutions.

The bank with the highest number of retail customer relationships (2.9 mn) has over twice as many as the second largest bank. Collectively, the five largest banks have approximately 7.23 mn retail customers (2022: 7.69 mn). In other terms, one percent of banks serve just under 35.56 % (2022: 37.19 %) of all retail customers. The ranking of the five banks with the most retail customers was unchanged between the 2022 and 2023 financial years. The ten largest banks collectively service just under half (ca. 48.36%) of all retail customers.

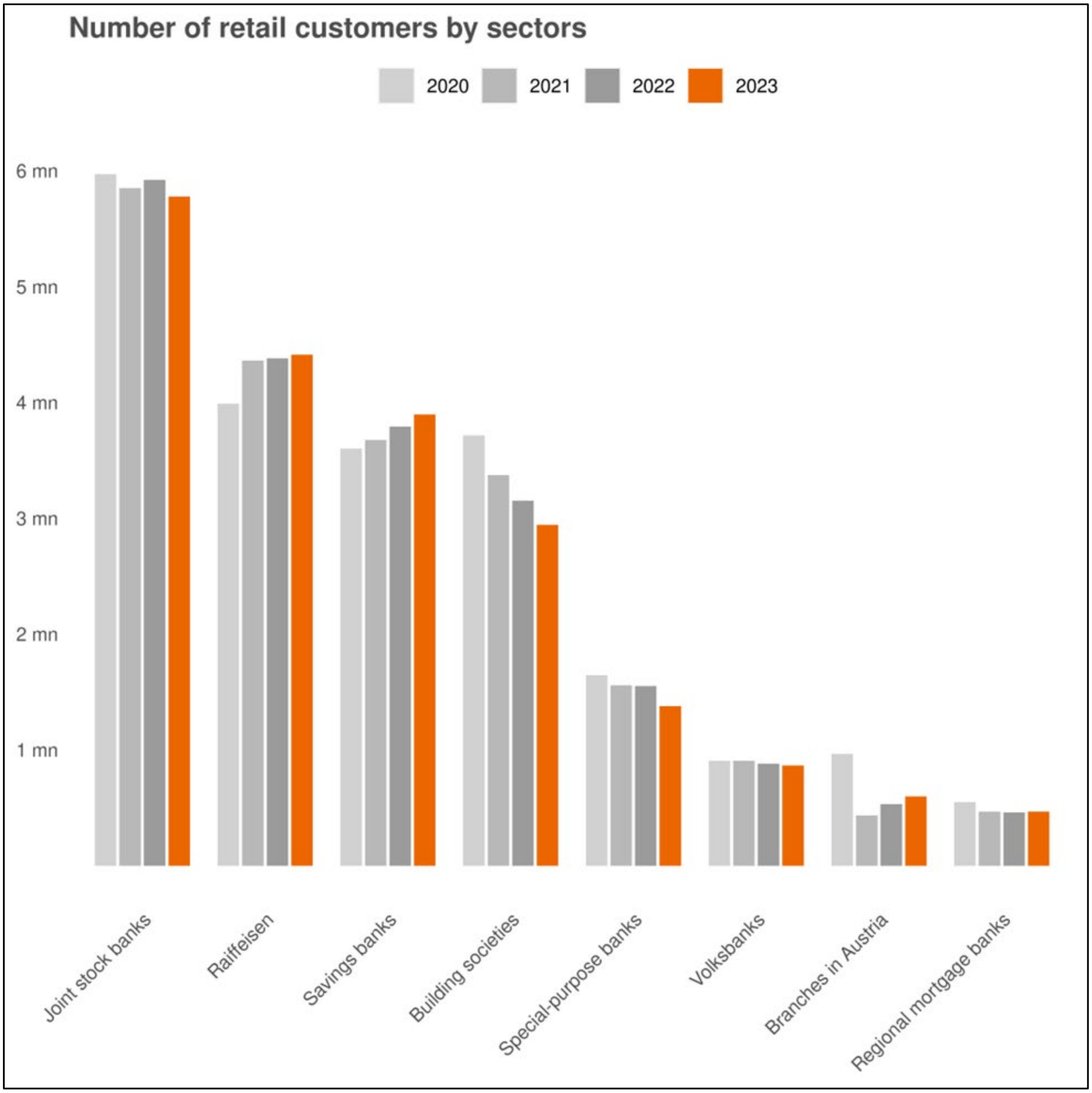

Figure 5

A strong decrease was observed compared with the previous year in the number of **basic payment accounts opened under the Consumer Payment Account Act (VZKG; Verbraucherzahlungs-kontogesetz)** (2021: 4,809, 2022: 11,263, 2023: 7,028). Despite this decrease, the level of newly opened basic payment accounts remains above the average for previous years.

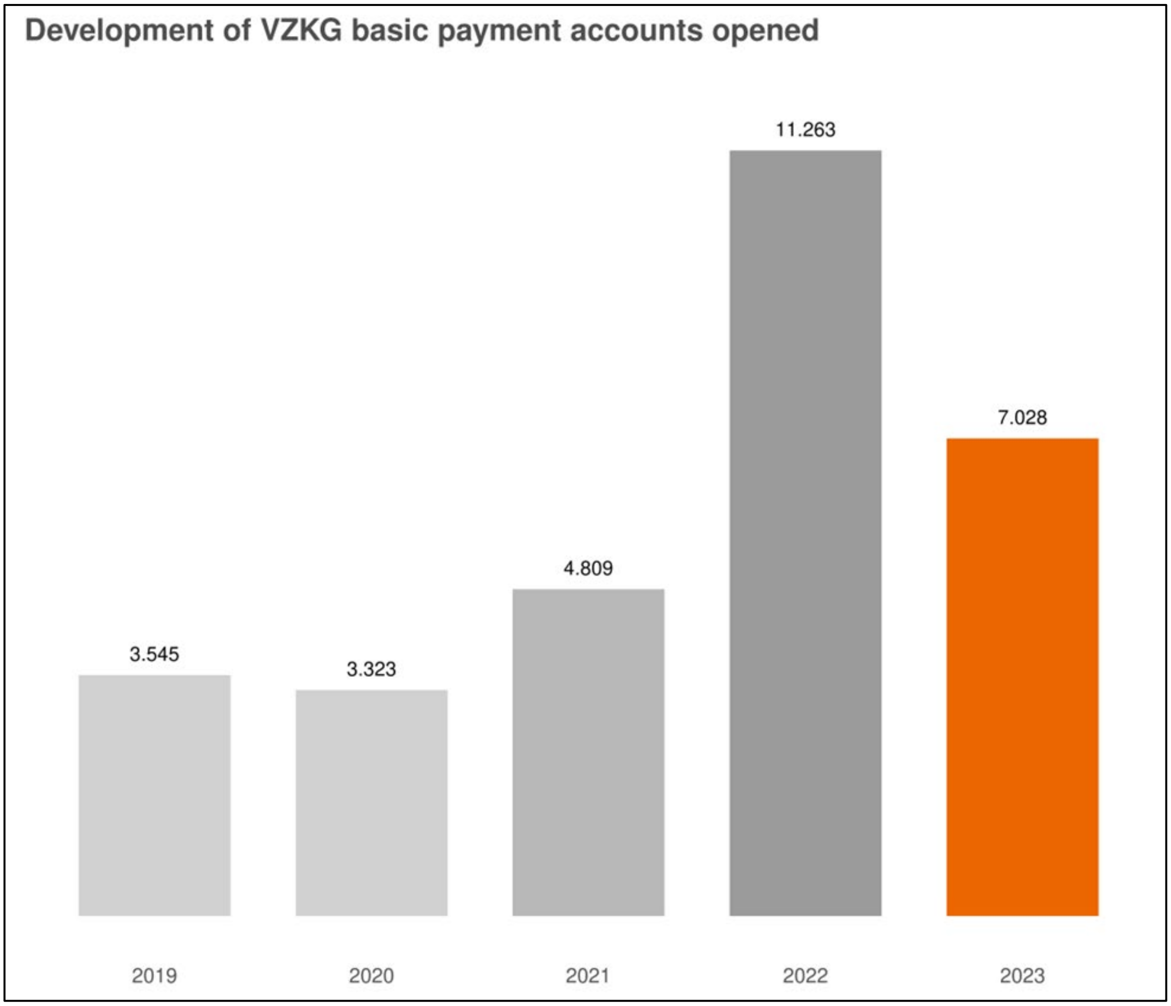

Figure 6

3.4 RISK LANDSCAPE OF CONDUCT-RELEVANT BANKS

The FMA adopts a risk-based approach to ensure effective and efficient conduct supervision. It performs an annual conduct risk classification for all conduct-relevant banks. Four risk categories exist (1 = low/green, 2 = moderate/yellow, 3 = increased/orange and 4 = high/red). This classification is largely based on the data and figures from the banks' distribution of insurance products and investment services and distribution figures for the granting of loans by banks. A "high" risk classification does not mean that a credit institution is not well organised per se or does not comply with conduct rules, but that it requires special - i.e. risk-based - attention from the conduct supervisor due to its business model, its importance within the market or, where applicable, due to supervisory observations.

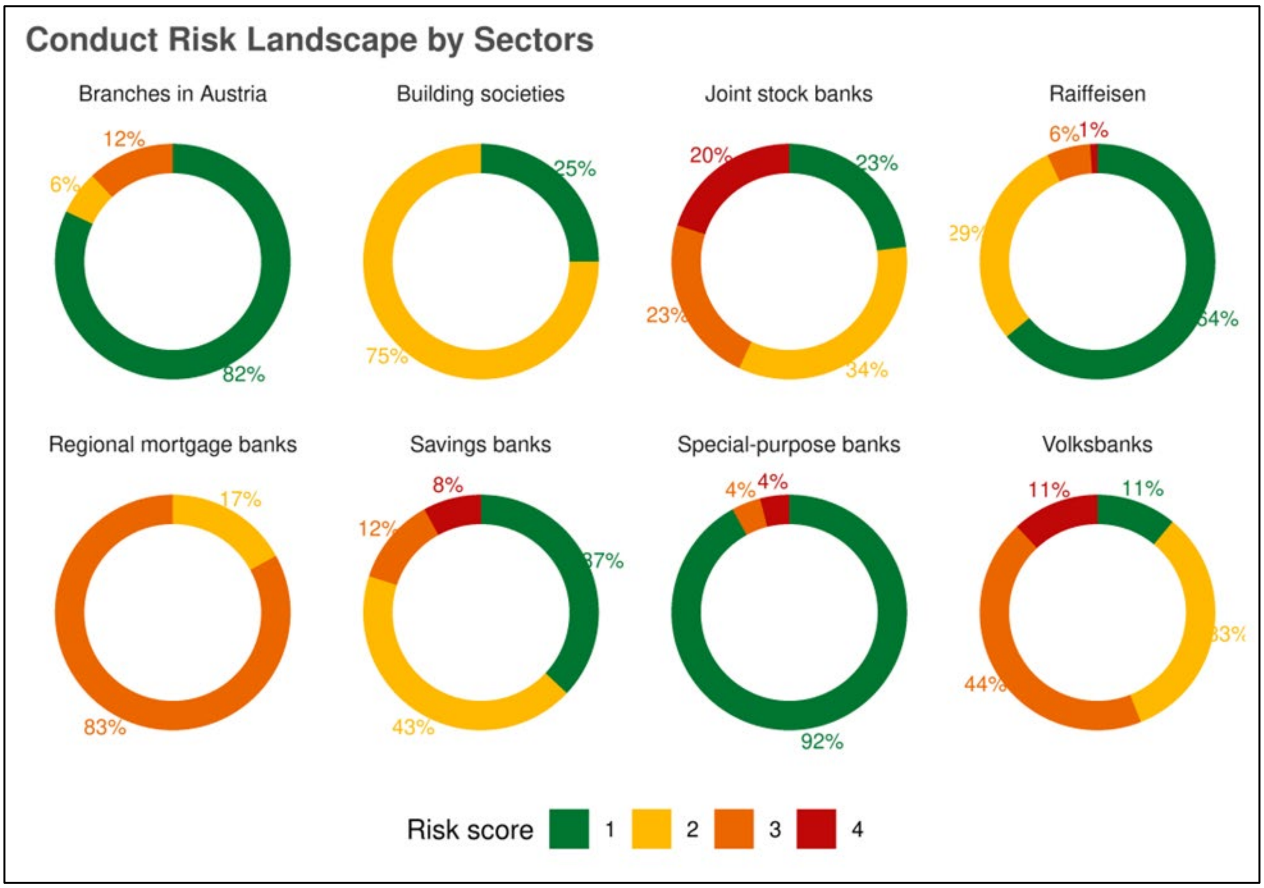

Figure 7

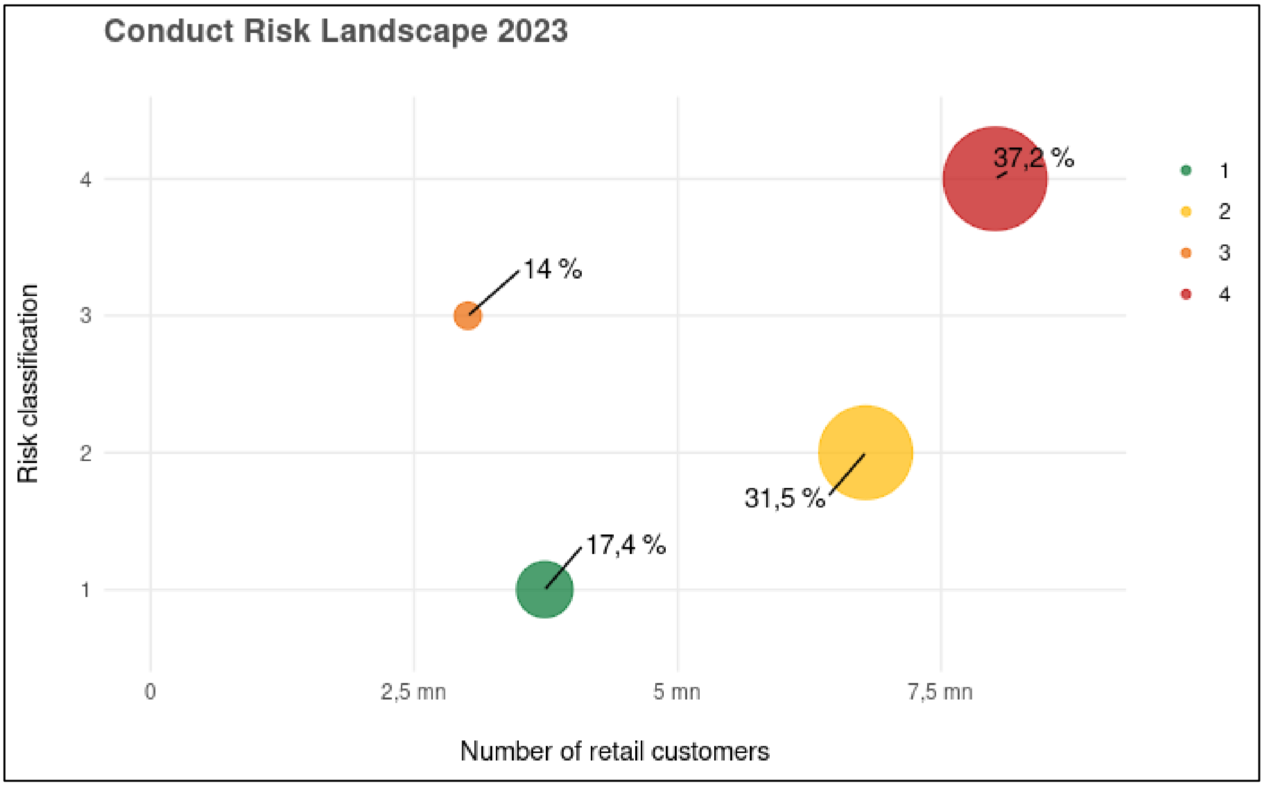

Figure 8

By comparing the results of the conduct risk classification[2] for 2023 against the number of customers, it emerges that 37.2 % of all customers are serviced by 15 conduct-relevant banks with a high risk profile (level 4). Some 14% of customers fall into the increased risk category (level 3), in turn serviced by 45 conduct-relevant credit institutions. 31.5 % of customers fall into the moderate risk category (level 2). The remaining 17.4% are customers of credit institutions in the lowest risk category (level 1).

4 BANKS AS A SIGNIFICANT PLAYER IN THE DISTRIBUTION OF FINANCIAL PRODUCTS

4.1 76 % OF AUSTRIAN PROVIDERS OF INVESTMENT SERVICES ARE BANKS

Investment advice, portfolio management and receiving and transmitting of orders are the main investment services (retail) investors receive from financial service providers. Providing such investment services requires a licence, with credit institutions in Austria generally holding a legal licence to do so. Other providers of investment services in Austria consist of investment firms, investment

[2] Risk profile: 1 (low), 2 (medium), 3 (increased), 4 (high)

service providers as well as investment fund management companies (“MCs”) and alternative investment fund managers (“AIFMs”) holding an additional licence.

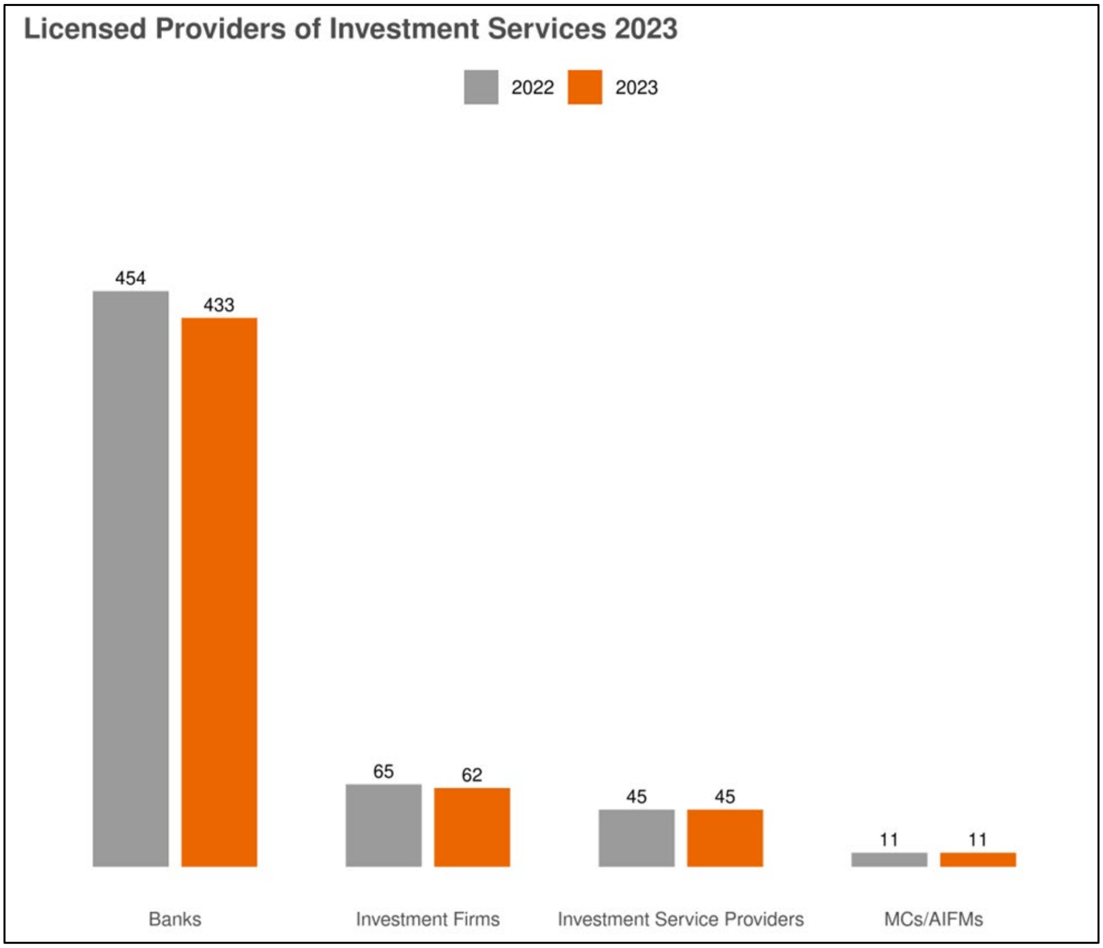

Figure 9

In 2023, there were a total of 433 (2022: 454) Banks[3] in Austria authorised by way of a legal licence to offer investment services under WAG 2018.[4] Of these, a total of **384 (2022: 406) banks** (= 89%, 2022: 89%) stated that they **actually offer investment services**.

[3]Source: FMA Annual Report, includes joint stock banks, savings banks (Sparkassen), Raiffeisen banks, Volksbanks, mortgage banks and EU branches. Excludes building societies (Bausparkassen), MCs, corporate provision funds and exchange bureaux/money remittance institutions.

[4]Source: Division IV/3 risk classification tool.

In 2023, 62 investment firms (2022: 65), 45 investment service providers (2022: 45), and 11 MCs or AIFMs (2022: 11) are authorised to offer investment services under WAG 2018 in addition to banks in Austria. Banks make up 76% of the providers in relation to the provision of investment services.

4.2 SECURITIES BUSINESS IS AN IMPORTANT BUSINESS SEGMENT FOR BANKS

In 2023, credit institutions' total **net provision income from securities**[5] from providing investment services stood at **EUR 1.49 bn** (2022: EUR 1.57 bn), a decrease of around 5 % year-on-year. This is still above the pre-pandemic levels, and the trend since 2018 (introduction of MiFID II) continues to increase.

When MiFID II entered into force at the beginning of 2018, the banking industry feared that investment business would decline strongly due to the new (strict) framework conditions. However, when examining credit institutions' net commission income between 2017 and 2022 (figure 10), commission earned during the 2023 financial year remains higher than the level for 2018, although there was a slight fall in 2023 for the second consecutive year.

Lower investor activity compared to the pandemic years 2020 and 2021, as also shown by evaluating and analysing MiFIR transaction data, could be a potential reason for the decreases observed in the last two years. The aggregated net cash flows of Austrian funds were also negative in 2023 after two strong years (2020 & 2021) especially in the case of real estate funds and mixed funds. In addition to geopolitical factors, this development in the net commission income from securities might be primarily attributable to the reversal of interest rates and the underlying economic conditions over the past two years. Higher inflation and associated economic uncertainties in particularly might potentially have led to a reduction in the investment area.

[5] This amount is calculated using the (gross) commission income from securities minus the provision expenses from securities under the Regulation on Asset, Income and Risk Statements (VERA-V). The resulting net commission income from securities were also surveyed this year by division IV/3's risk classification tool. In the case of provision income/expenses from securities, all commissions and charges (including trading margins or brokerage commissions) occurring in securities trading, as well as in issuance business (issuance for third parties) as well as provisions for redemption of securities and coupons and other income or expenses from securities management (securities account fees etc.) are taken into account.

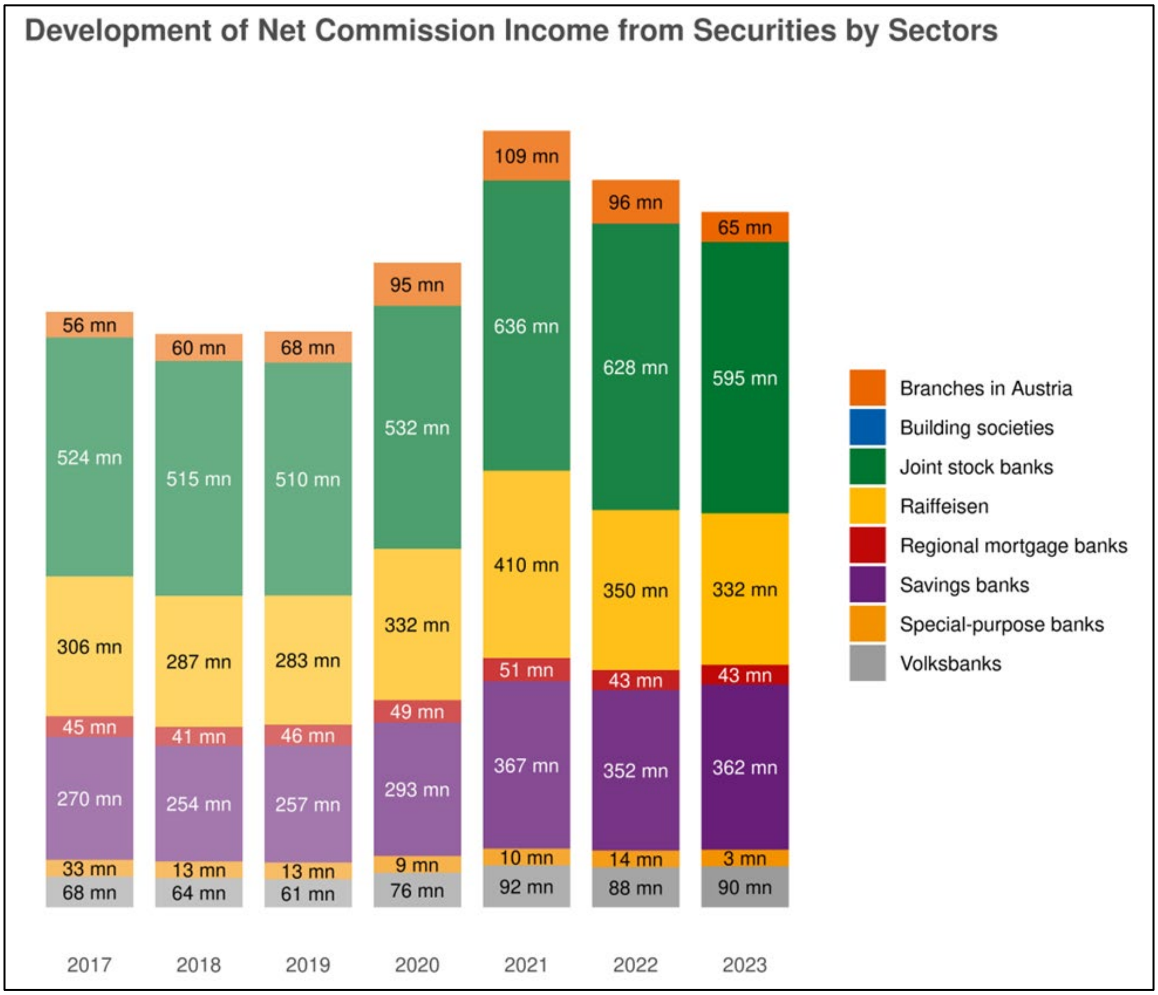

Figure 10

4.3 RETAIL CUSTOMERS PLAY A DOMINANT ROLE FOR BANKS IN INVESTMENT SERVICES

In 2023, 2.42 mn (2022: 2.34 mn) securities accounts were held at Austrian banks. Of those, approx. 98% (2.38 mn) were securities accounts held by retail clients under the Securities Supervision Act 2018 (WAG 2018). The remaining 44,507 securities accounts (ca. 2%) are held by professional clients and eligible counterparties. Credit institutions managed a total of 43,572 securities accounts with a total volume of EUR 16.41 bn within the scope of individual portfolio management. In 2022, a total of EUR 17.37 bn was held in 45,339 securities accounts.

In total, the top five ranked institutions manage 931,051 securities accounts, or almost 39% of all securities accounts of retail customers. This demonstrates that credit institutions that are also active in online brokerage business are well represented. An examination broken down by sector shows the

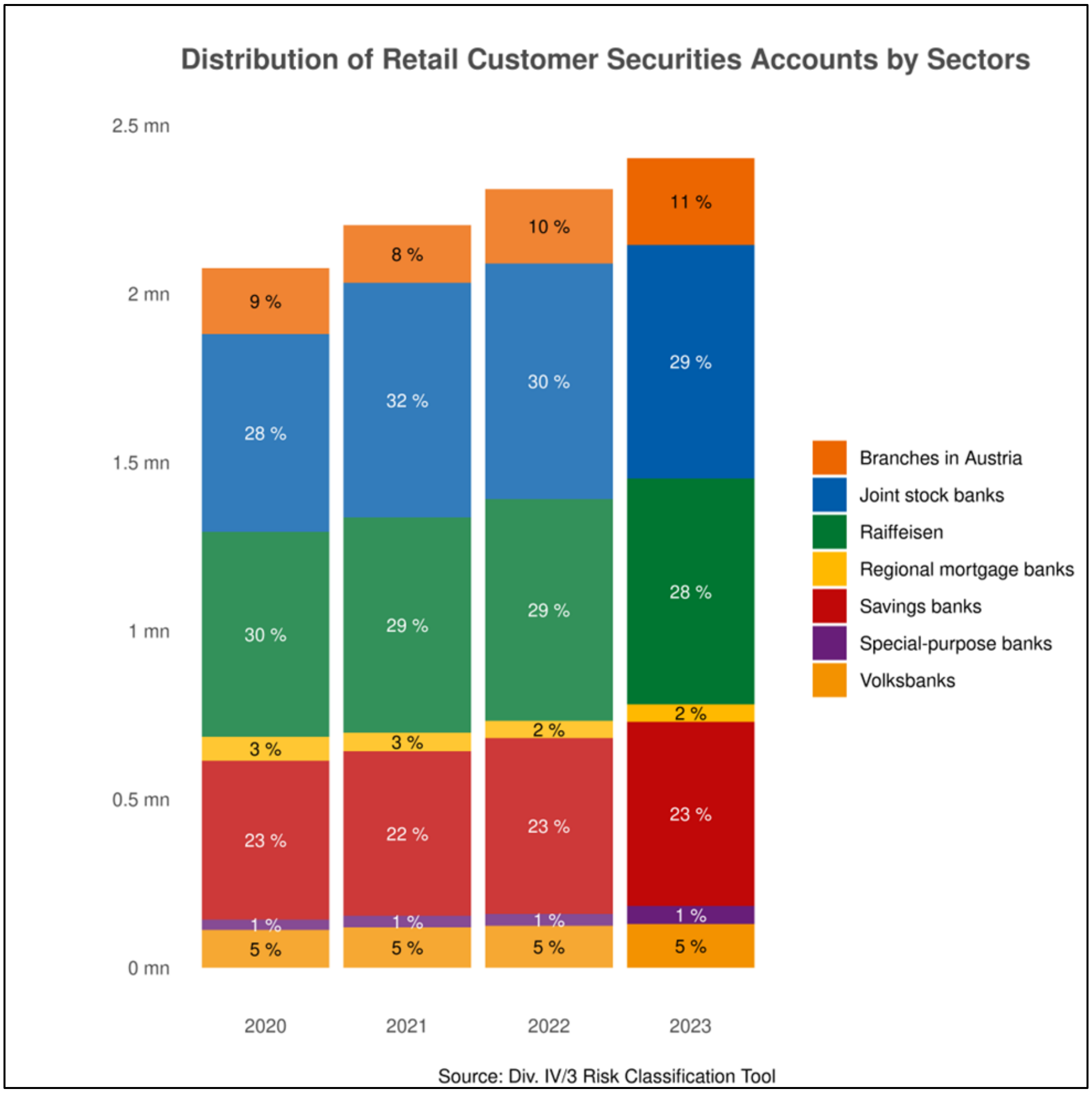

Figure 11

following picture regarding securities accounts of retail clients (see Figure 11): The joint stock banks sector manages 29% (2022: 30%), the Raiffeisen sector 28% (2022: 28%) and the savings bank (Sparkassen) sector 23% (2022: 22%) of retail customer securities accounts, with the other 20% (2022: 20%) split across the remaining sectors. The distribution remained largely unchanged despite an increase in the number of securities accounts of retail clients.

4.4 INCREASING RELEVANCE OF SUSTAINABILITY IN SECURITIES BUSINESS

Sustainability has become a central aspect of the financial sector, as a result of the "European Green Deal" and the European Commission's Action Plan on "Sustainable Finance" and plays an important role in banks' securities business. Market data about sustainability in distribution has been collected since 2023 and appears in the Integrated Banking Distribution Report for the first time in 2024. The FMA supervises the observance of conduct rules regarding sustainability in distribution within its multi-year priority for supervision and inspections of "avoiding greenwashing in distribution" as well as by participating in the European Securities and Markets Authority (ESMA) Common Supervisory Action (CSA) 2024/2025 on suitability when distributing sustainable financial instruments.

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If the number of sustainable products is compared with the full product catalogue of a credit institution, then the analysis about the information about all banks reveals that around 48% of the products in the advisory universe are financial instruments that at least partially correspond to one of the sustainability criteria listed in Article 2(7) lits. A-c of the delegated Regulation (SFDR/Taxonomy/PAI). It should be noted in this regard that the entities themselves conducted the corresponding classification, and therefore it cannot be reviewed objectively. Furthermore, the data quality about the sustainability characteristics of financial instruments is not yet sufficiently robust to be able to conduct a reliable evaluation, meaning that this figure should be considered as a rough initial estimate. Around EUR 60 bn is held in securities accounts of retail clients under WAG 2018 under this definition.

Of those WAG 2018 retail clients that have already been asked about their sustainability preferences, based on information held by credit institutions, around 26.5% wish sustainability aspects to be taken in account in their portfolio.

5 THE DISTRIBUTION OF INSURANCE PRODUCTS IS PART OF MOST AUSTRIAN BANKS' BUSINESS MODEL

In the 2023 calendar year, 74.5% of all Austrian credit institutions (374) distributed insurance, corresponding to **85% of all conduct-relevant credit institutions**[6]. A premium volume of EUR 1.67 billion (2022: EUR 1.84 billion)[7] was distributed by banks to 322,807 (2022: 342,193) customers. Of these, 52,984 (2022: 55,670) were insurance-based investment product customers with a premium volume of EUR 806.65 mn (2022: EUR 936.09 mn).

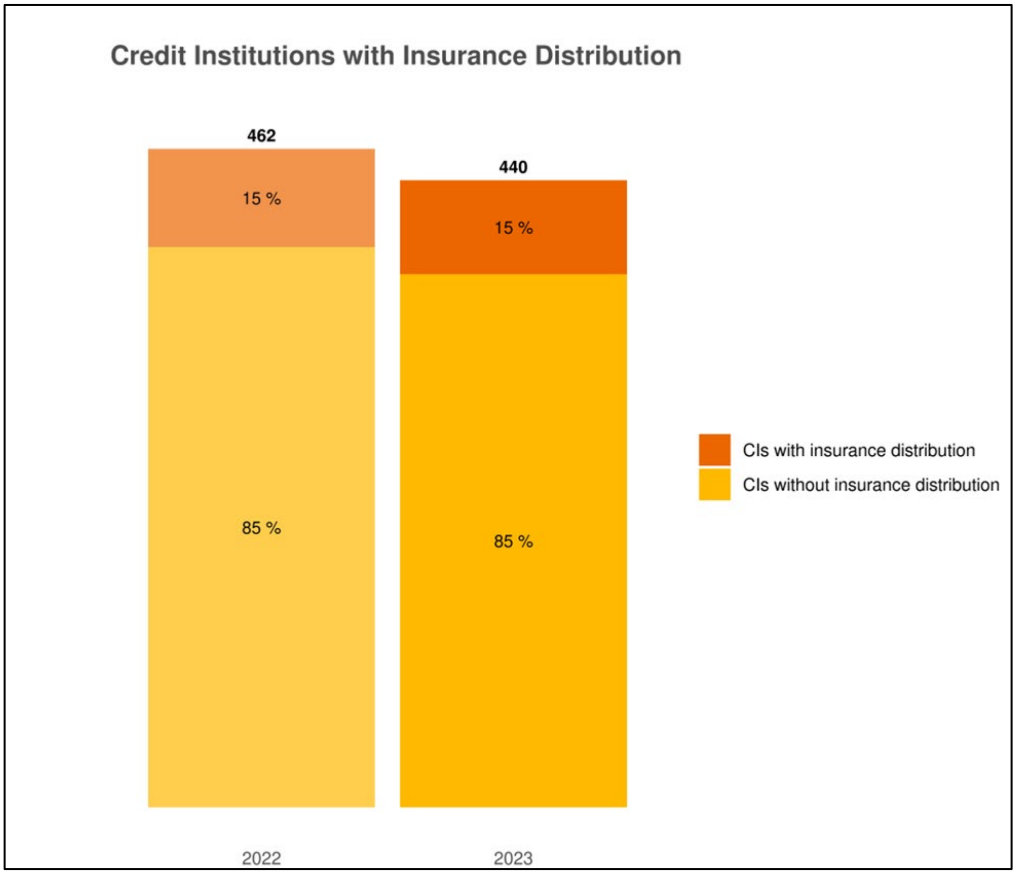

Figure 12

[6] Source: Division IV/3 risk classification tool.

[7] This is made up of the total received premium volume (i.e. both from existing products as well as premium volume from new sales).

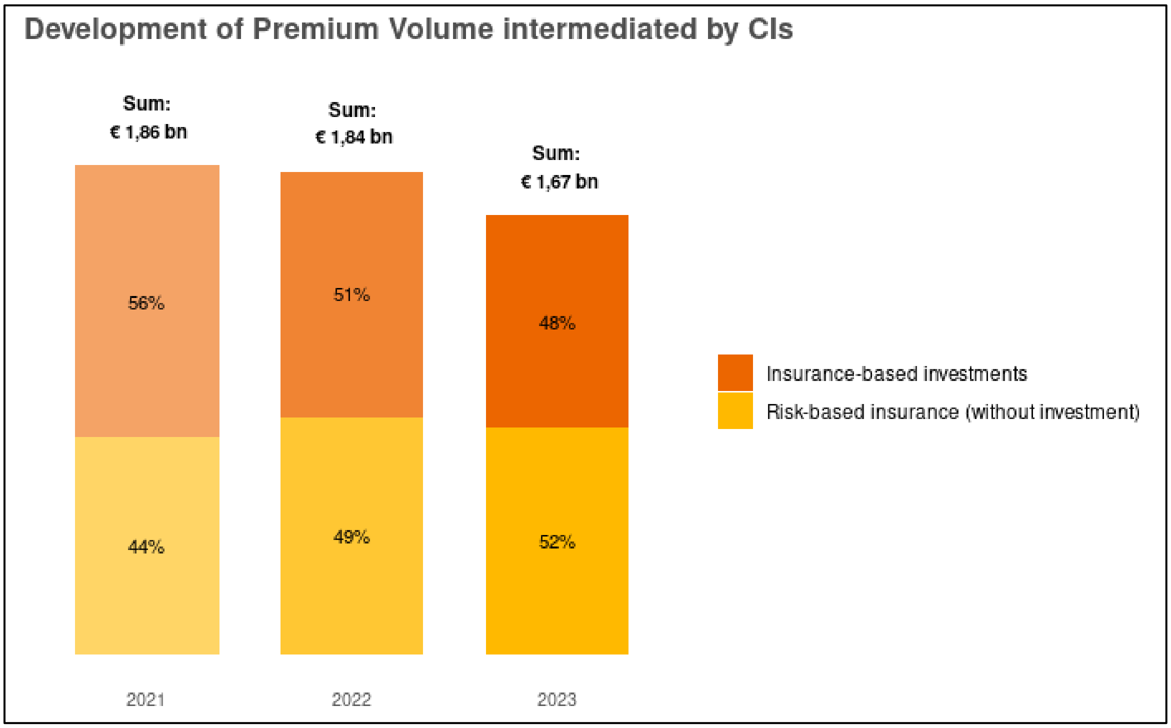

Figure 13

Table 2

Comparison to the preceding year	Volume underwritten in 2021 in EUR mn	Volume underwritten in 2022 in EUR mn	Volume underwritten in 2022 in EUR mn	Number of customers 2022	Number of customers 2023
Insurance of risk (without investment)	827.46	904.6	867.04	286,523	269,823
Insurance-based investment	1,036.33	936.09	806.65	55,670	52,984
Total insurance intermediation	1,863.79	1,840.69	1,673.69	342,193	322,807

Both the total number of insurance customers (number of insurance contracts) as well as the volume intermediated by credit institutions have fallen in comparison with previous years. This decrease is not only confined to insurance of risk (without investment) such as insurance against the risk of death, but also includes insurance-based investments.

Figure 14 below, shows the share of written premium volume from bank distribution compared against the written premium volume from other distribution channels. In 2023, approx. EUR 1.673 billion was distributed through the **bank distribution channel**, which makes up **ca. 7.1% of premiums written** compared with the other distribution channels (e.g. direct distribution by insurance companies and insurance intermediaries). Despite the increase in premium volume written in total in 2023, a smaller proportion came from the bank distribution channel, than in the previous year.

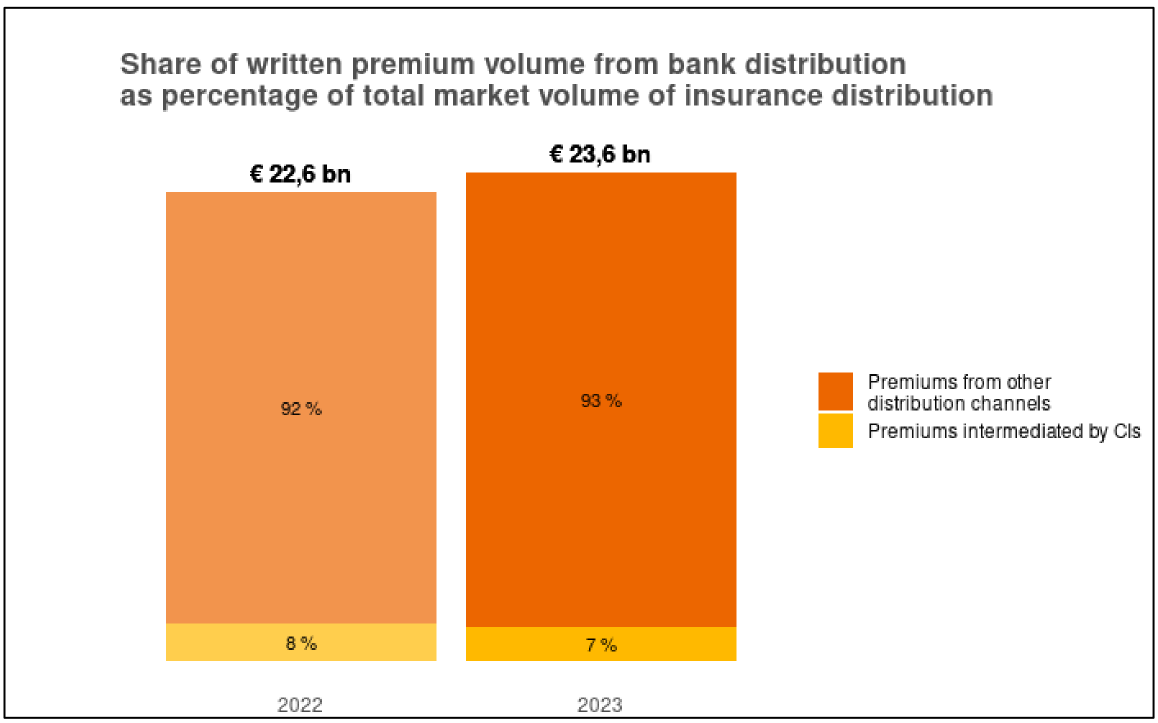

Figure 14

Regarding the premiums from insurance-based investment products, approximately 14% are distributed by banks. This distribution channel has also witnessed a fall in market share.

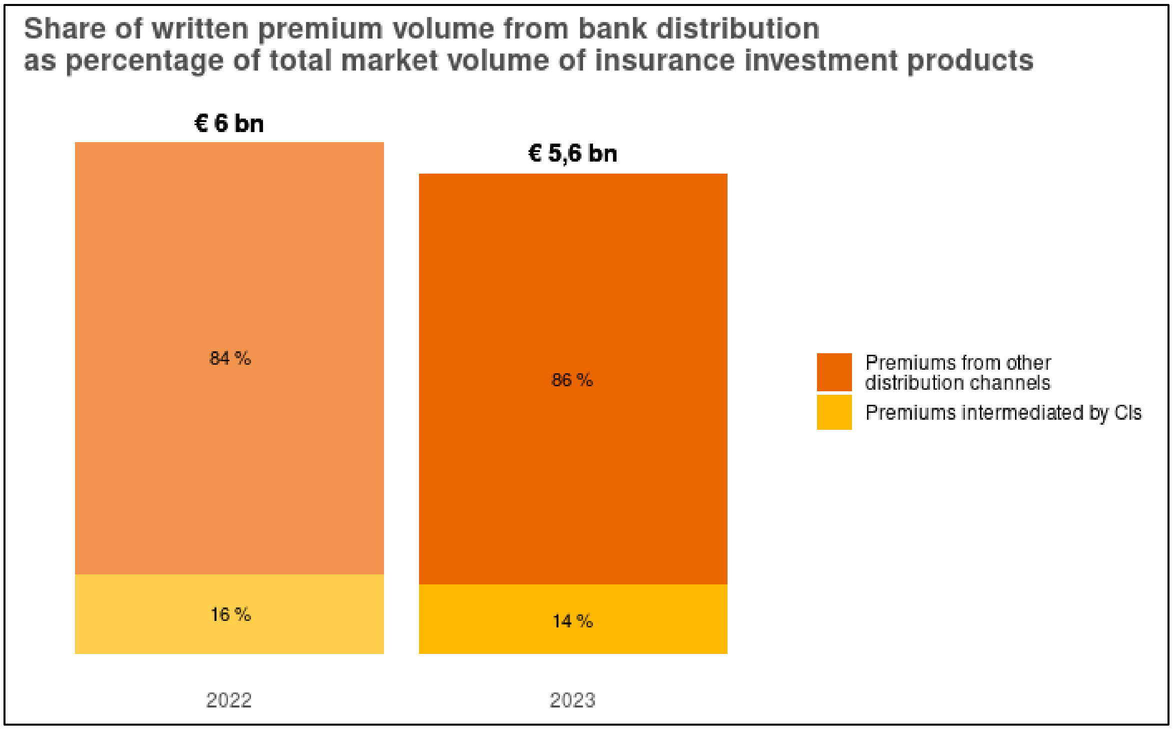
Share of written premium volume from bank distribution
as percentage of total market volume of insurance investment products
€ 6 bn
€ 5,6 bn
84 %
86 %
16 %
14 %
Premiums from other distribution channels
Premiums intermediated by CIs
2022
2023

Figure 15

6 LENDING

The figures obtained regarding the loan agreements distributed (in the sense of granted) and intermediated, regarding both mortgage-backed and real estate loans as well as consumer loans, prove the importance of conduct supervision in this area. Since 2022, due to a market survey and setting a priority for supervision in 2023, in particular regarding information to consumers in payment difficulties, it has been possible to initiate somewhat improved dunning letters in two sectors. The European Banking Authority (EBA) also continues to place a conduct focus on sustainable lending. The following detailed picture emerges regarding the distribution market for the granting of credit in Austria.

6.1 MORTGAGE-BACKED AND REAL ESTATE LOANS

The following figure shows that well over half of Austrian credit institutions both distribute and intermediate mortgage-backed and/or real estate loans. 22% of credit institutions grant mortgage-backed and/or real estate loans, but do not intermediate any. Mortgage-backed or real estate loans do not form any part of the business model for approximately 13% of credit institutions.

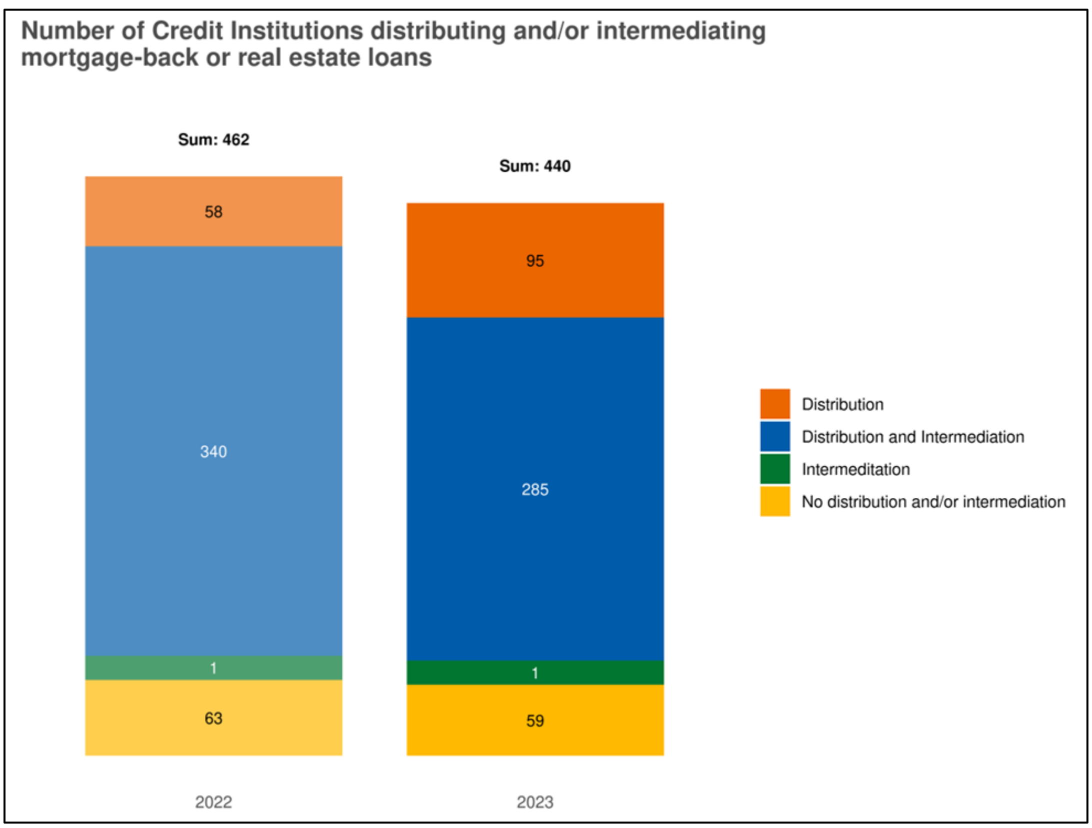

Figure 16

The figure below shows the distribution of non-performing loan (NPL) ratios for 2023. The overwhelming proportion of banks have an NPL ratio of less than 4%, with only a few credit institutions having a higher NPL ratio. Compared against the preceding year's NPL ratios, there is a visible increase in the number of credit institutions with an NPL ratio of between 2% and 4%.

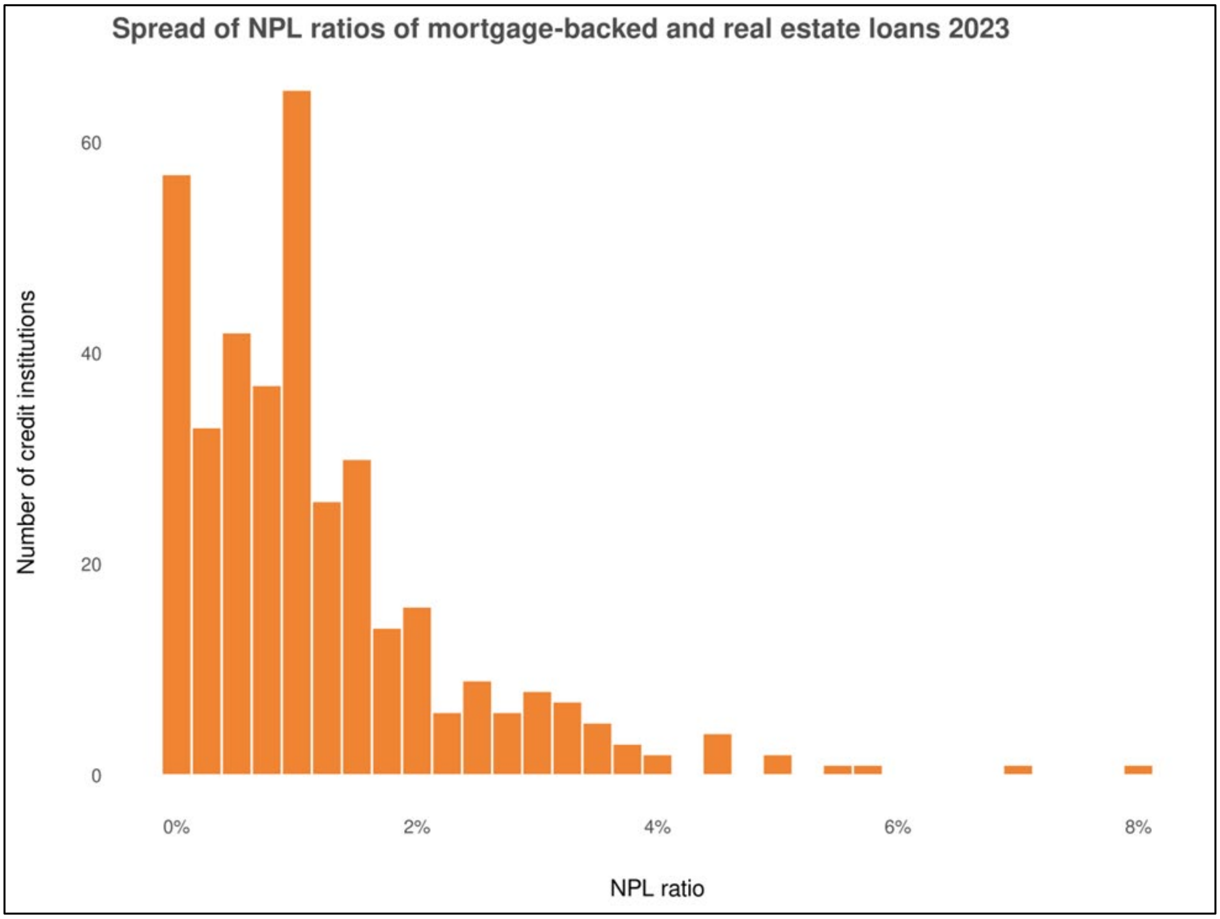

Figure 17

The development of the existing volume of loans for purchasing and renovation of residential space (figure 18) show that the outstanding volume has remained constant despite a slight fall from 2022 to 2023. In this regard, it must be highlighted in particular that the existing volume has remained constant or grown in the case of building societies (Bausparkassen) compared to previous years (2021: 17 bn, 2022: 19 bn, 2023: 19 bn).

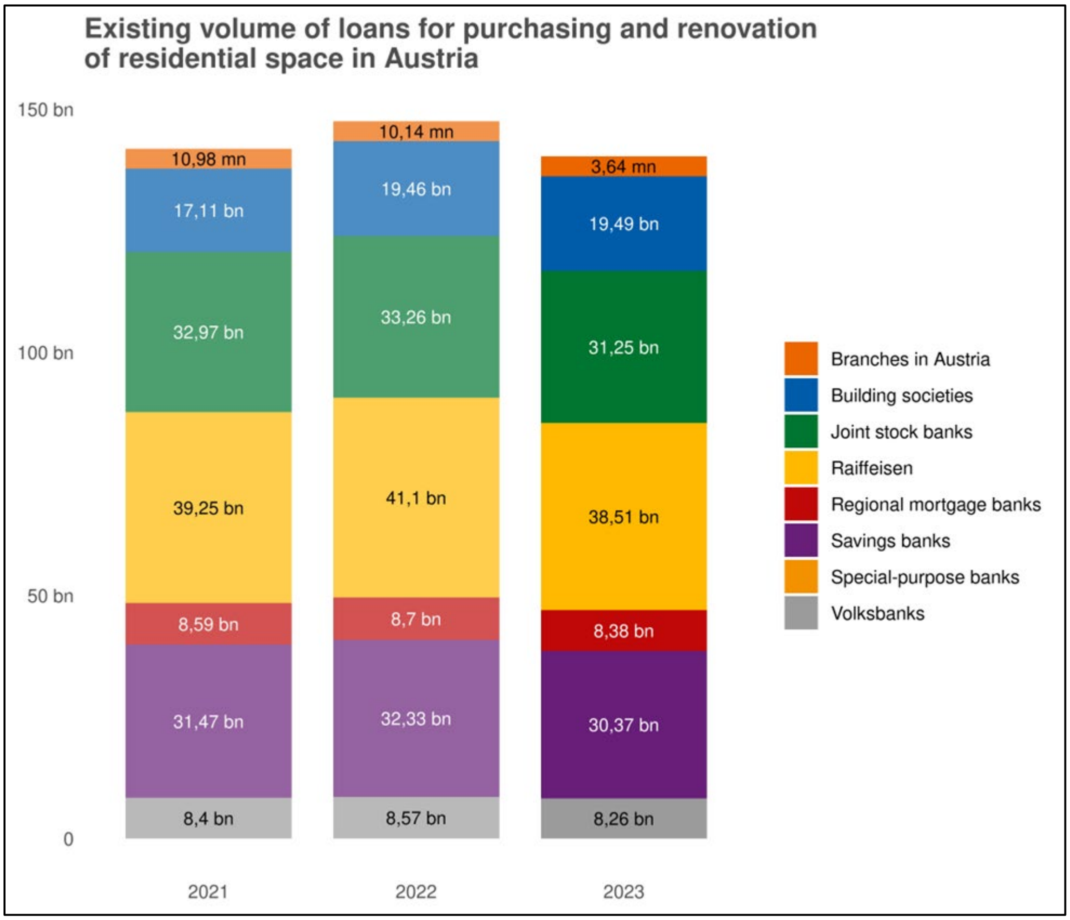

Figure 18

Regarding the volume of newly distributed loans for purchasing and renovating residential space, it is apparent that the newly distributed volume once again rose in 2023, after a strong fall in 2022 due to the general interest rate developments. Just as the development of interest rates was the main reason for the fall in demand from 2022 to 2023, the increase in 2023 is attributable to the stagnating interest rate development. Initial data from the OeNB for 2024 show signs of a recovery.

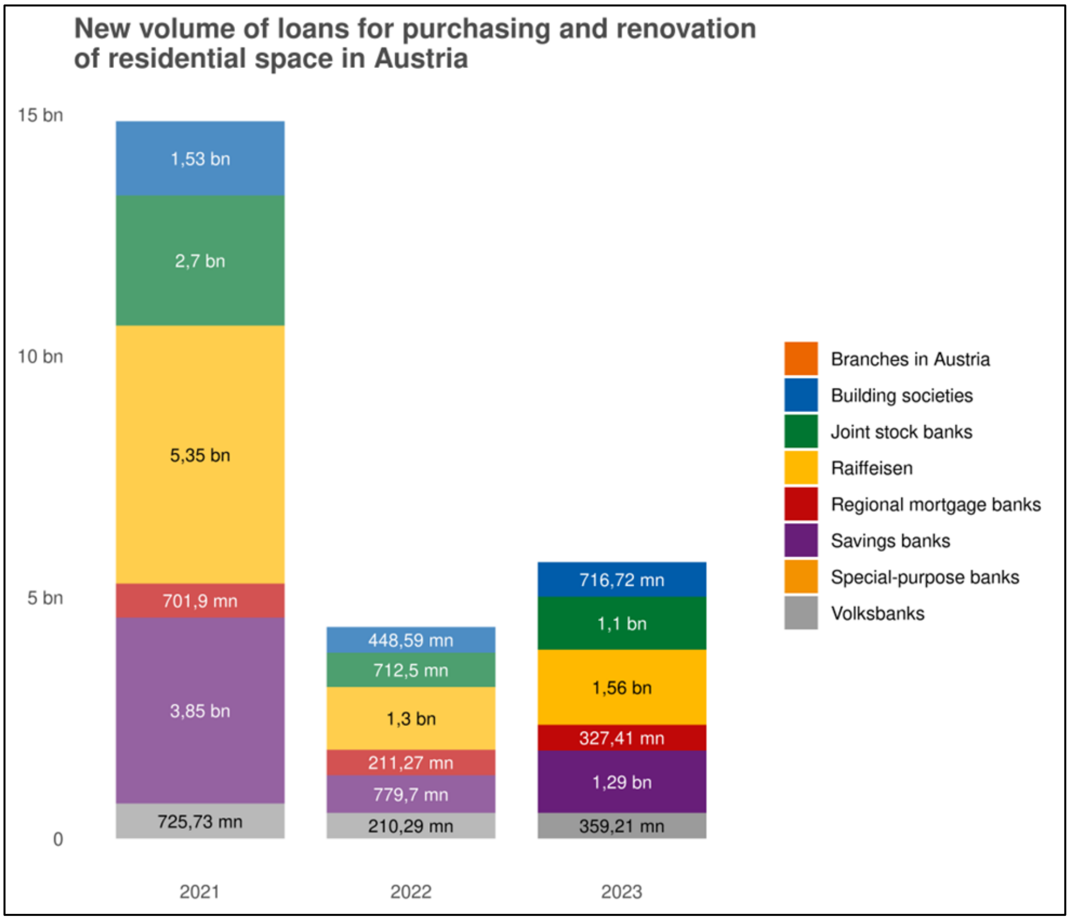

Figure 19

6.2 CONSUMER CREDIT AGREEMENTS

Consumer lending business differs significantly from mortgage-backed and real estate lending business in terms of the different ranking of top providers. The analysis of credit institutions that offer consumer loans shows that different banks focus on consumer lending business than those banks with a focus on mortgage-backed and real estate loans. 9% of banks (41) stated that they neither granted consumer loans themselves, nor did they intermediate loans by other banks. For 53 % of the banks (233), the granting of consumer loans is part of their business model, while intermediation of such loans is not. While almost two-thirds of banks both grant mortgage-based and real estate loans themselves or intermediate them, this is only the case for over one third (164) regarding consumer loans.

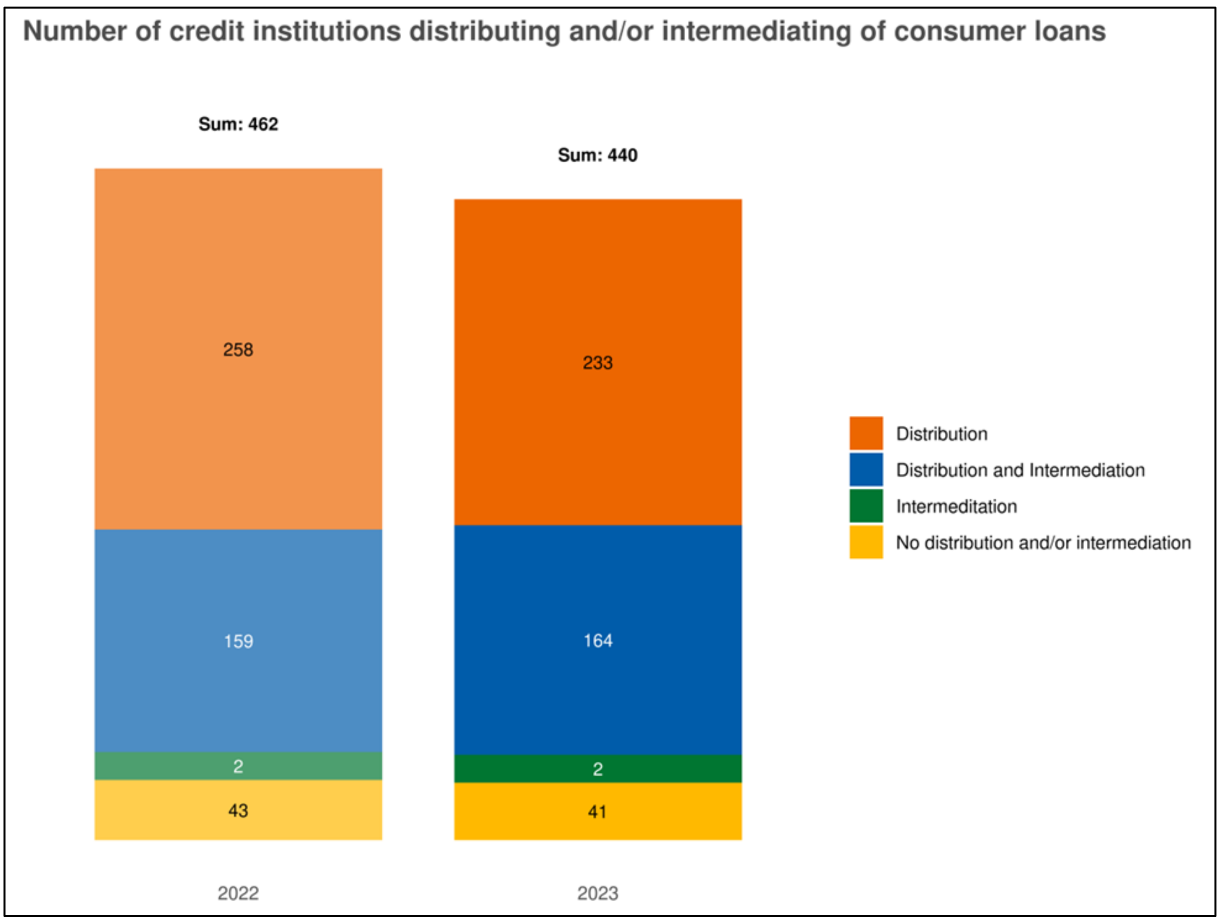

Figure 20

The following figure shows the non-performing loans (NPL ratios) of banks for consumer loans. Significantly higher NPL ratios are observed on average than for mortgage-backed and real estate loans. The distribution of NPL ratios in 2023 shows, in contrast to mortgage-backed and real estate loans, a slightly broader distribution on average, as well as higher NPL ratios as already mentioned. Regardless of this fact, the majority of banks (ca. 72%) have an NPL ratio of under 10%. Higher NPL ratios are however contrasted by lower outstanding volumes.

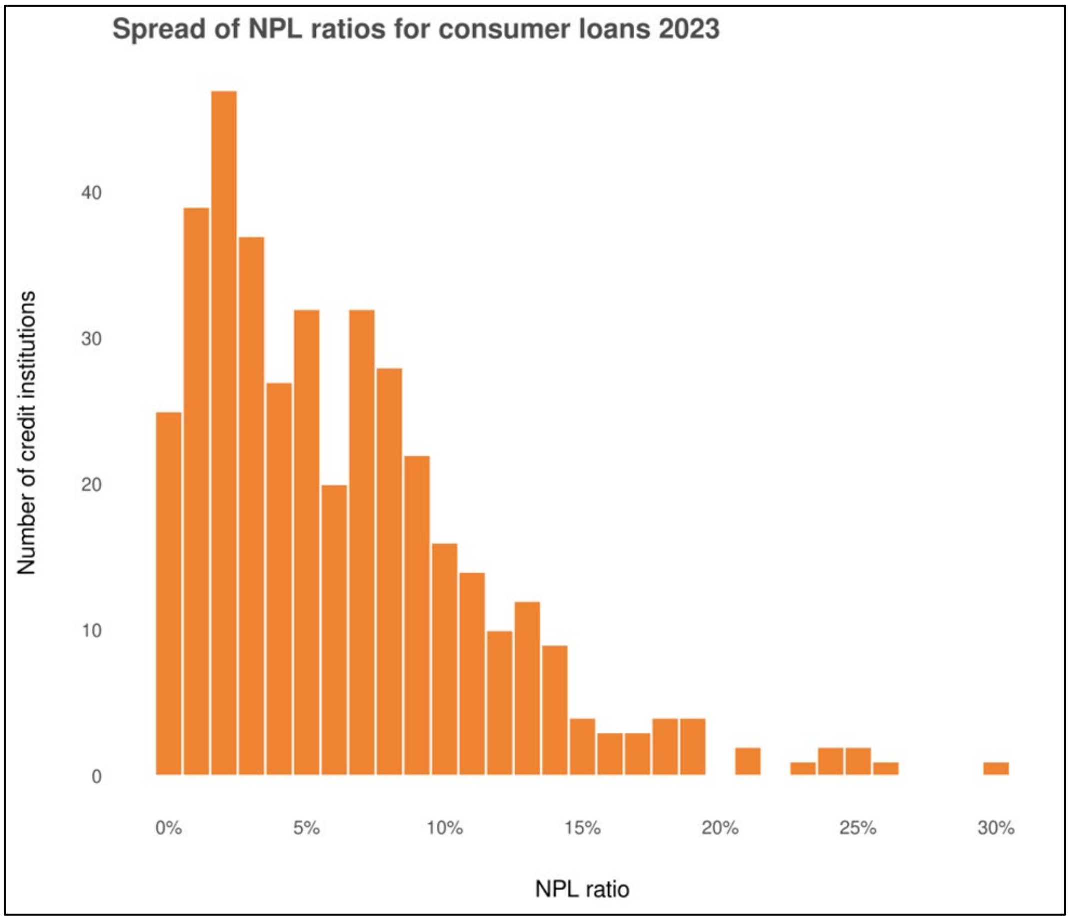

Figure 21

7 CROSS-BORDER ACTIVITY OF AUSTRIAN BANKS

Effective supervision of cross-border activities in the area of securities supervision (hereafter: cross-border activities) by home NCAs is of particular importance for the European Securities and Markets Authority (ESMA) as well as NCAs to ensure that retail customers enjoy a comparable (high) level of protection irrespective of the domicile of the credit institution performing the activities. Here, there is a particular focus on retail customers, as well as selected professional clients.

In addition to ongoing supervision by the NCAs, a regular data collection exercise about credit institutions' cross-border activities is also conducted, in particular to discover specific risks in this context.

The following figure shows distribution in relation to cross-border activities (ESMA Report on Cross-border Activities 2023). The graphic shows a sustained high level of cross-border activities, thus highlighting the relevance of this issue.

Home and host Member States

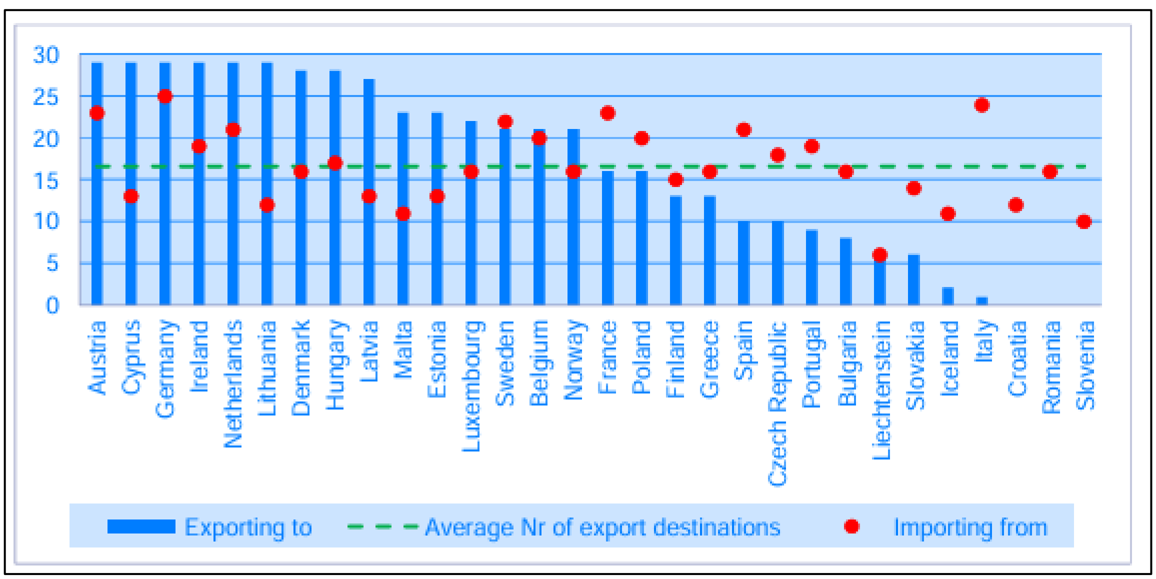

Figure 22

The data about the cross-border activity of Austrian banks are as follows:

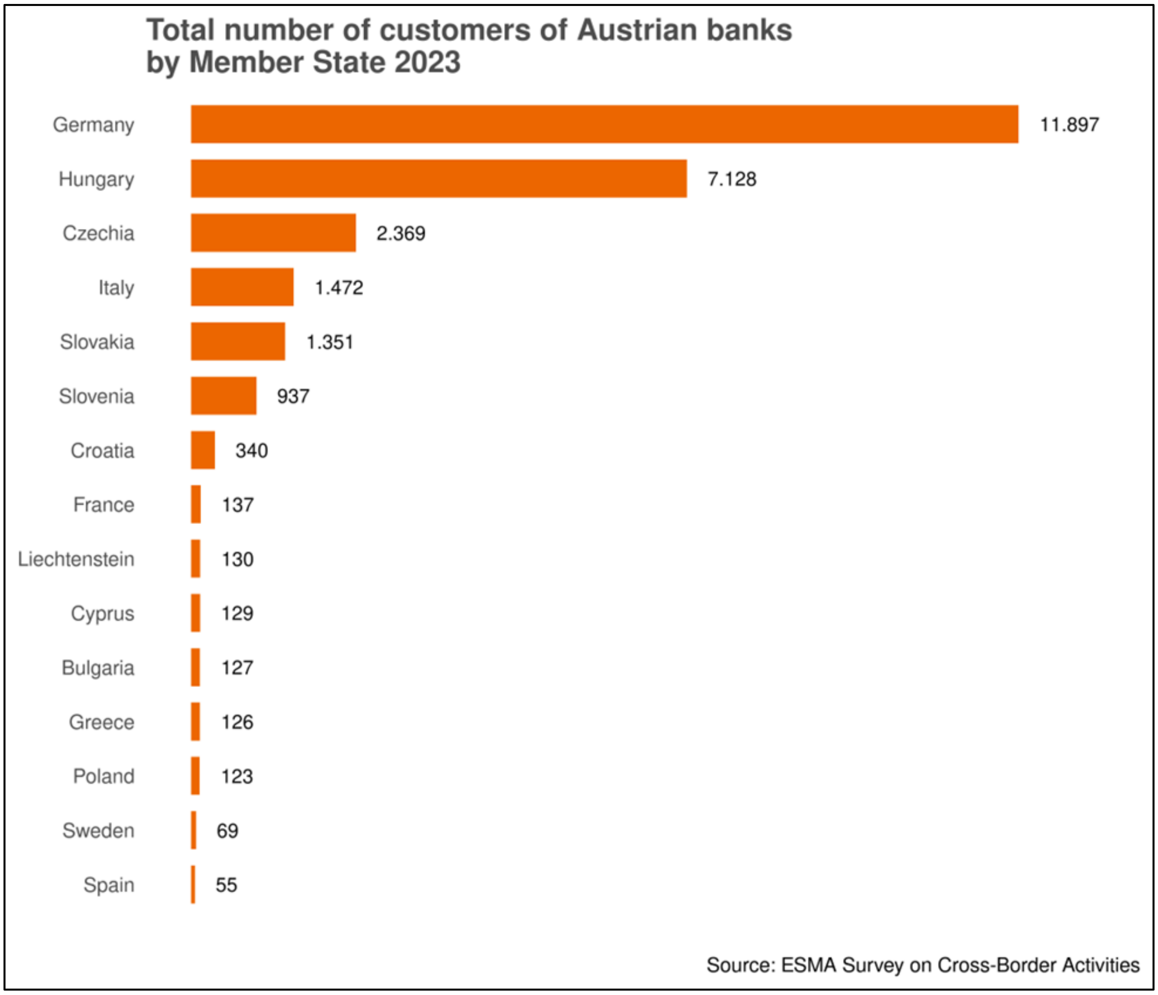

Figure 23

The survey relates to the number of customers in other EU Member States and shows that Austrian banks have a higher number of customers in the border areas around Austria.

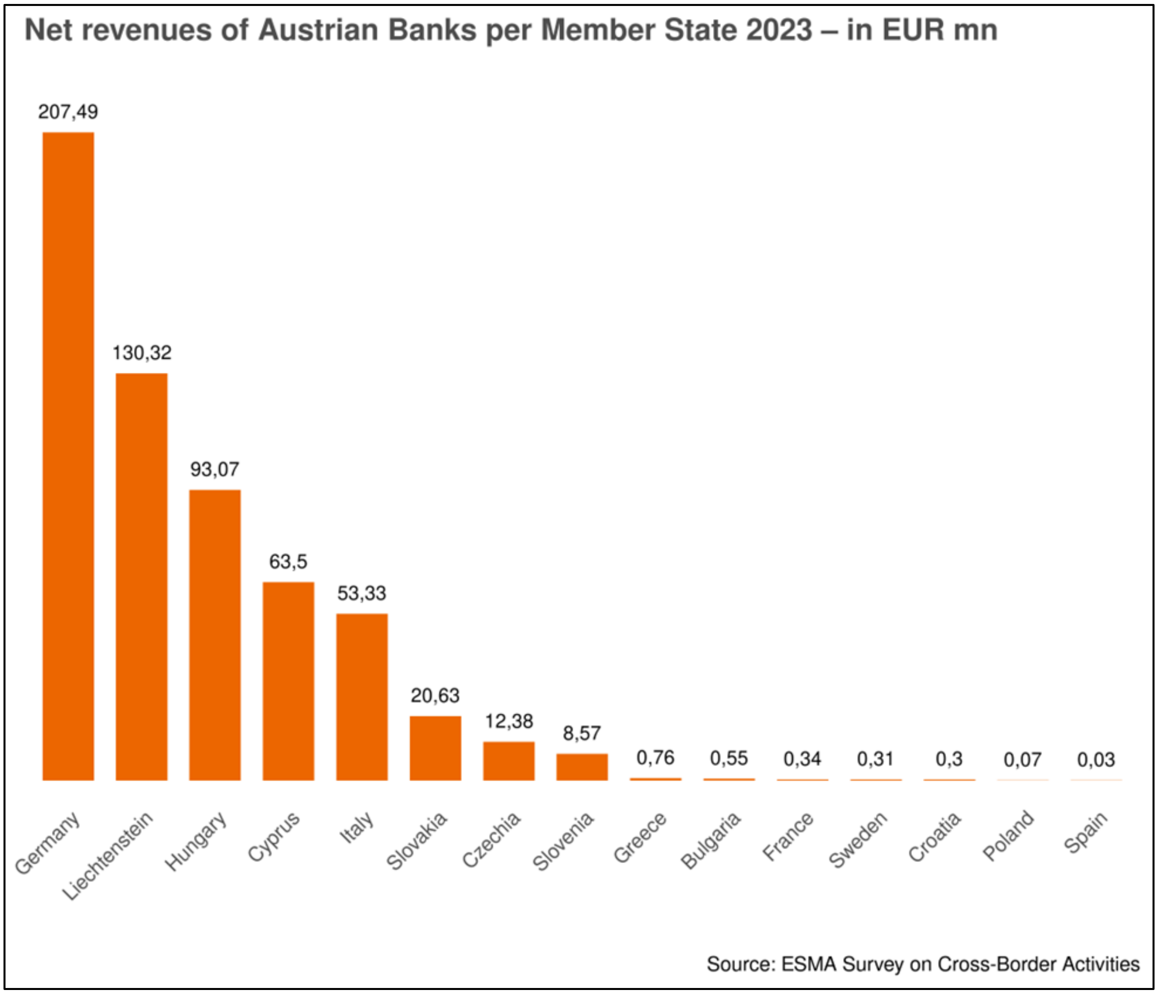

Figure 24

At product level, the majority of securities transactions conducted within cross-border activities are in shares, bonds and UCITS funds.

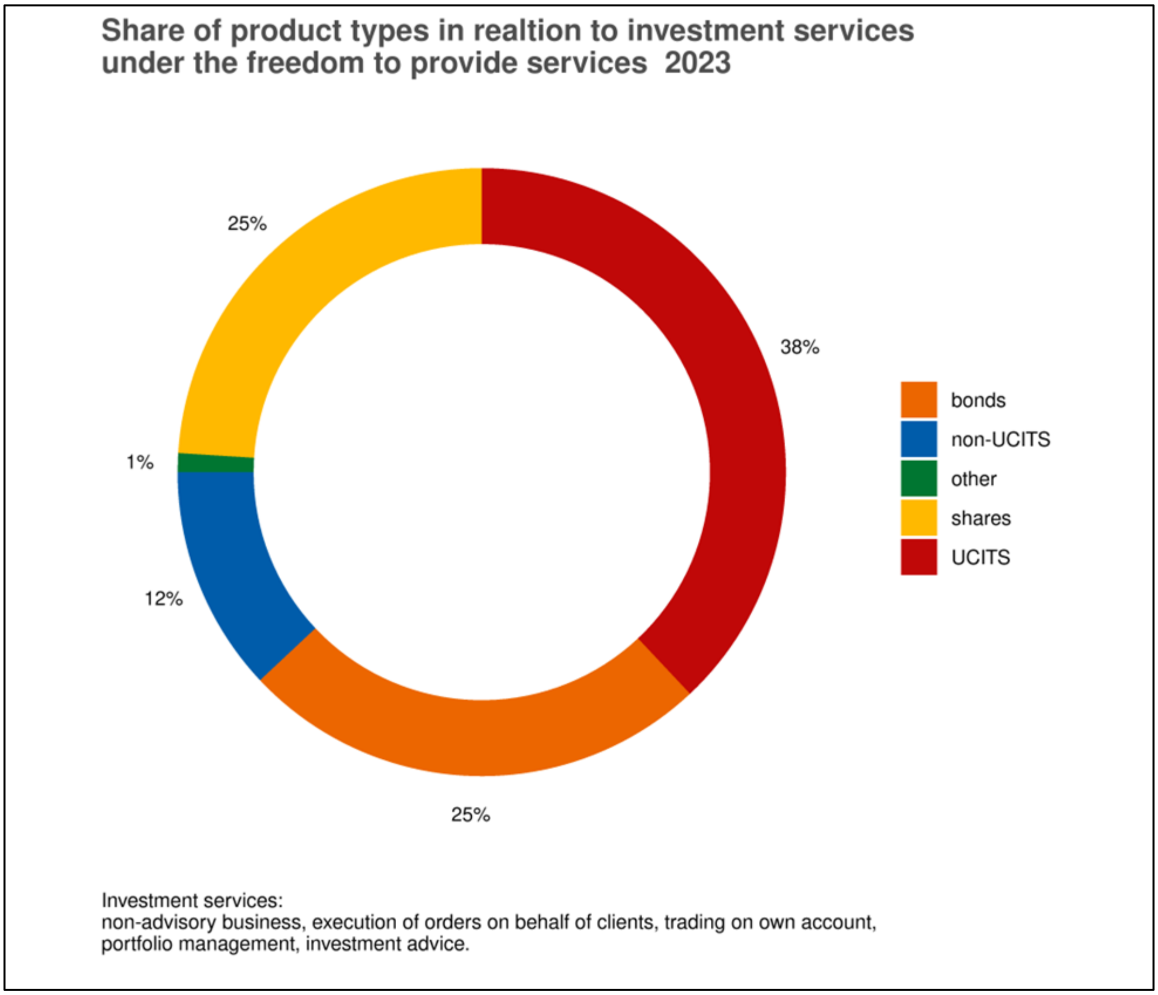

Figure 25